

Marcor First Quarter Report 1976

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Marcor Inc.
Container Corporation of America
Montgomery Ward

Marcor Chairman's Report to Stockholders

Marcor's net earnings for the first quarter of fiscal 1976 were a record \$40,895,000, a 59.6% improvement over the \$25,629,000 earned in the first quarter of 1975. Sales were \$1,181,865,000, 11.2% higher than the \$1,062,446,000 of 1975's first quarter. Net earnings per share of common stock, on a primary basis, were \$1.11 compared with 64¢ in the first quarter of 1975. Earnings per share on a fully diluted basis were 87¢ this year, compared with 53¢ in the first period of fiscal 1975.

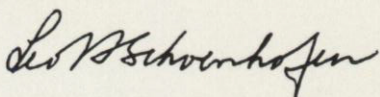
This exceptionally strong first quarter performance by Montgomery Ward and Container Corporation of America follows 1975's full year increase of 16.8% to establish record net earnings of \$135.2 million. These improved results reflect a continuing recovery in both the consumer and industrial sectors of the economy. Our economic forecasts indicate the upward trend will continue.

Montgomery Ward sales for the quarter were a record \$893,170,000, an increase of 8.7% over the same period of last year. Operating earnings rose to \$39,227,000, an 87.2% increase, and a record for first quarter earnings. Both retail store and catalog operations showed substantial profit improvement, with relatively uniform sales increases in most merchandise categories. Operating costs continue to be tightly controlled. Interest costs remain relatively low because of favorable short-term interest rates.

Container Corporation experienced improved demand for most of its products during the first quarter of fiscal 1976, in contrast with the early months of 1975. Consolidated operating earnings for the quarter increased 25.7% to a record \$41,459,000, and consolidated sales rose to \$270,794,000, an increase of 20.7% and a new record for any single quarter in Container's history. Reflecting the growing strength in the general economy, Container's mill backlogs are improving as the year progresses, and converting plant volume has increased. International operating earnings strengthened substantially during the first quarter of 1976. Results in Latin America were generally good, while operations in Europe began to recover from the severely depressed conditions experienced a year ago.

A proxy statement has been mailed to you detailing pertinent features of the previously announced proposed merger with the Mobil group of companies. The basic terms provide that Marcor shareholders would receive .16 of a share of Mobil Corporation common stock and \$30 principal amount of 8½ percent 25 year debentures of Mobil Corporation in exchange for each share of Marcor common stock. Since Marcor's Series A preferred stock is presently convertible into two shares of Marcor common stock, holders of Series A shares would receive twice what the common receives, i.e., .32 of a share of Mobil Corporation common stock and \$60 principal amount of Mobil Corporation debentures.

Marcor's Board of Directors has approved agreements providing for the proposed merger, subject to approval of Marcor shareholders at the June 23, 1976 annual meeting. Mobil has agreed to vote its shares of Marcor in accordance with the majority vote of all other Marcor shareholders on the merger proposal. Detailed information concerning the proposed merger is contained in the proxy statement which has been sent to you, and which you should read carefully.



Leo H. Schoenhofen, Chairman and Chief Executive Officer

Marcor Inc. and Consolidated Subsidiaries

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Condensed Statement of Earnings (unaudited)

(\$ thousands except per share amounts)

Three months ended April 30.	1976	1975	Percent Increase (Decrease)
Sales			
Montgomery Ward	\$ 893,170	\$ 821,530	8.7
Container Corporation	270,794	224,321	20.7
Other Marcor subsidiaries	17,901	16,595	7.9
Total	\$1,181,865	\$1,062,446	11.2
Operating earnings (before parent company interest charges and taxes on income)			
Montgomery Ward	\$ 39,227	\$ 20,955	87.2
Container Corporation	41,459	32,986	25.7
Other Marcor subsidiaries	664	470	41.3
Total	\$ 81,350	\$ 54,411	49.5
Less parent company interest	5,636	5,636	—
Total earnings before taxes on income	\$ 75,714	\$ 48,775	55.2
Provision for taxes on income	34,819	23,146	50.4
Net earnings	\$ 40,895	\$ 25,629	59.6
Earnings per common share	\$1.11	\$.64	73.4
Earnings per common share assuming full dilution	\$.87	\$.53	64.2
Number of common shares used in per share calculations—	1976	1975	
Primary	31,625,180	30,463,712	
Fully diluted	43,569,015	43,335,256	

Notes

(1) The condensed financial statements included herein have been prepared by the Company without audit. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1975 annual report to stockholders.

(2) Management of Montgomery Ward is considering adopting the last-in, first-out (LIFO) method of inventory accounting with respect to substantially all of its inventories during 1976, which may have a significant negative effect on reported earnings. The effect on earnings of a change to the LIFO method relates to the year-end inventory quantities and amount of inflation during the year and therefore cannot be predicted with any reasonable certainty at this time.

Marcor Inc. and Consolidated Subsidiaries

Condensed Balance Sheet (unaudited)

(\$ thousands)	April 30, 1976	April 30, 1975
Assets		
Current assets:		
Cash and marketable securities	\$ 81,644	\$ 65,643
Receivables, net	496,948	370,261
Inventories	1,000,387	962,028
Prepaid expenses	57,519	66,166
Total current assets	\$1,636,498	\$1,464,098
Investments and other assets	576,272	505,495
Properties and equipment less accumulated depreciation	1,151,680	1,102,355
Excess of cost of acquired subsidiaries over underlying book value at dates of acquisition	175,974	176,049
Total assets	\$3,540,424	\$3,247,997
Liabilities and stockholders' equity		
Current liabilities:		
Short-term obligations	\$ 38,375	\$ 39,483
Notes payable to affiliates	4,370	71,525
Accounts payable and accrued expenses	729,691	633,644
Federal taxes on income—		
Currently payable	27,536	10,501
Deferred	364,971	297,990
Total current liabilities	\$1,164,943	\$1,053,143
Deferred federal taxes on income	108,975	98,528
Long-term debt—		
Senior	454,324	383,027
Subordinated	368,848	368,978
Minority interest	22,822	22,403
Stockholders' equity	1,420,512	1,321,918
Total liabilities and stockholders' equity	\$3,540,424	\$3,247,997